

SERP & Qualified Pension Plans

CareFirst

Plan

\$

Payment Triggers

Accrued Qualified Plan \$ 1,866,744 Upon Termination of Executive

SERP Benefit \$ 6,555,000 Double Trigger upon COC/Termination

\$ 8,421,744

• *Accrued Benefits have been Earned Over a Period of Years*

• *Contractual Obligation*

- Pay SERP Accrued Balance Upon Termination of Executive at COC
- Additional "Executive Service" Provided to Three Executives Hired Mid-career with Prior Executive Experience
- Accrued Qualified Plan Benefit Paid Upon Termination of Executive

OCC 016401



Change of Control Payment

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Executives with Contracts

\$

Payment Triggers

Multiple of Salary plus Annual Incentive	\$ 12,168,207	Double Trigger upon COC/Termination
Pro-rated Current Year Incentive	\$ <u>416,061</u>	Double Trigger upon COC/Termination
Subtotal COC Cash Payments	\$ 12,584,268	
Personal & Health Benefits	\$ <u>514,957</u>	Double Trigger upon COC/Termination
Total COC Cash & Benefits	\$ 13,099,225	

- ☐ *Contractual Obligation*
- ☐ *Pays Out Upon Termination in Connection with a Change of Control and Substantial Diminution of Duties*

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Merger Incentive

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Participants	#	% of Price	Total Payout
CEO	1	0.7%	\$ 9,100,000
Executive Vice Presidents	<u>6</u>	<u>1.2%</u>	<u>\$ 15,600,000</u>
	7	1.9%	\$ 24,700,000

Purpose of Incentive:

- ☐ *Incentive to Close a Favorable Transaction*
- ☐ *Align the Interests of Management with the Interests of Stakeholders*

*Smaller Portion Paid as Retention Bonus if Deal is Not Completed
(Similar to Key Management Retention Bonus)*

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Compensation Related Costs

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Associates

Retirement Plans	\$ 7.7
Incentive Plan	\$ 13.6 - 17.0
	<u>\$ 21.3 - 24.7</u>

Contractual Obligations & Earned Benefits

LTIP (Deferred)	\$ 4.7
LTIP (Active)	\$ 14.5
SERP	\$ 20.8
Qualified Retirement	\$ 2.1
Change of Control	\$ 14.0
	<u>\$ 56.1</u>

Retention

Non-contract Associates	\$ 8.5
Merger Incentive	\$ 24.7
	<u>\$ 33.2</u>

22%

49%

29%

← Allocation of Compensation Related Costs →

Does not include excise tax and related gross up (estimated at \$15 million)

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Cost Summary

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Grandfathering Associate Retirement	\$	7.7	
Offset Associate Annual Incentive	\$	13.6 - 17.0	
Retention (non-contract employees)	\$	8.5	
Subtotal (non-contract associates)	\$	29.8 - 33.2	2.5% of Purchase Price
Long Term Incentive (Deferred)*	\$	4.7	
Long Term Incentive (Active Grants)*	\$	14.5	
Supplemental Retirement (SERP)	\$	20.8	
Qualified Retirement	\$	2.1	
Change of Control	\$	14.0	
Subtotal (contract costs)	\$	56.1	4.3% of Purchase Price
Merger Incentive	\$	24.7	1.9% of Purchase Price
Subtotal (contract associates)	\$	80.8	
Excise Tax (estimate)	\$	15.0	

Total All Costs \$ 125.6 - 129.0

*includes non-contract participants



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Public Relations Discussion

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\$1.3 Billion	+	Associate Retirement	+
Retention Bonus	-	LTI Payout	-
SERP Payout	-	COC Payout	Neutral to -

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